Annual Report
1934

Established
Grand Union Company
Quality
Food Stores
1872

WOOLWORTH BUILDING
New York

OFFICERS

J. Spencer Weed - - - - - - -	*President*
Lansing P. Shield - - - - - -	*Vice-President*
Louis C. Wadmond - - - - - -	*Vice-President*
William C. McFeely - - - - - - -	*Secretary*
Samuel Winokur - - - - - - -	*Treasurer*

DIRECTORS

Ralph T. Crane

John Foster Dulles

Ray Morris

J. Spencer Weed

To the Stockholders:

The consolidated balance sheet, earnings statement and analysis of the earned surplus account of The Grand Union Company and its Subsidiaries for the year ended December 29, 1934 are submitted herewith. The net income carried to earned surplus for the year amounted to $284,621.01. Total sales were $28,561,558.01, of which $791,153.08 were green coffee jobbing sales. These compare with total sales in 1933 of $28,293,445, of which jobbing sales were $438,950. At the end of the year the company was operating 675 branches, compared with 639 branches at the end of 1933. It had no bank loans or funded debt.

Earnings of the chain store division of the business showed an improvement in 1934 over the previous year. This is important in view of the fact that the company's chain stores sales normally represent approximately 80% of total sales. The earnings of the eastern wagon route business, while somewhat less than in 1933, still showed a very satisfactory net profit on sales. The profits of the company were adversely affected, however, by the poor showing of the western wagon route business. As a result of a complete reorganization of this division of the business during the year, we believe our expectations of steady improvement from now on are warranted.

In connection with the reorganization of its western business, the company has made drastic changes in its credit policy. Although during 1933 the company made substantial increases in the allowances against accounts receivable and premiums advanced to customers, the management has considered it advisable to set up out of surplus additional reserves which it believes will be ample to provide for all possible losses upon accounts receivable and premiums advanced to customers representing transactions prior to 1934. It is proposed to credit back to surplus any excess of such reserves over the amounts which may be finally determined as necessary to provide for such losses. Against 1934 earnings has been charged an amount which the management believes is adequate for any losses which may be sustained on account of 1934 wagon route sales and premiums advanced to customers during that year.

Because of the fact that the Preference Stock dividend had not been fully earned either in 1933 or 1934, the directors decided to reduce to 37½¢ the quarterly dividend paid March 1, 1935. The Preference Stock dividend is cumulative.

J. Spencer Weed,
President.

The Grand U

and its su

CONSOLIDATED

At Decemb

ASSETS

Current assets:		
Cash in banks and on hand-		$ 539,821.75
Accounts receivable:		
Trade, less allowance for losses	$ 557,855.19	
Miscellaneous, less allowance for losses	101,217.47	659,072.66
Operating advances to and receivables from agents and employees		28,156.55
Inventories of merchandise, premiums, materials and supplies, at costs (not in excess of market)		3,076,987.04
Premium merchandise advanced to customers at cost, less cost of profit-sharing credits	525,180.13	
Less, Allowance for losses	192,935.40	332,244.73
Prepaid expenses and deferred charges		77,830.38
Total current assets		4,714,113.11
United States Treasury Notes deposited in connection with appeal from judgment, at cost (at market quotation, approximately $43,000)		42,610.75
Employees' fidelity fund (cash, plus investments at less than market quotations)		6,083.64
Investments at costs, less $26,663.63 allowance for losses (market quotations not ascertainable)		17,707.42
Real estate at 1933 appraisal amounts, plus $7,868.14 representing the amount at which a mortgage foreclosed by the company during 1934 was previously carried, less allowance for depreciation of improvements		184,707.14
Machinery, fixtures and equipment at costs, except as to $1,668,607.80 representing revaluations as at December 31, 1932 by Board of Directors	2,686,967.95	
Less, Allowances for depreciation	1,065,988.72	1,620,979.23
Good will		1.00
		$6,586,202.29

THE MENACE OF CHAIN STORE TAXES

Your attention is directed to the serious threat confronting the chain store industry in the form of discriminatory tax laws pending in many of our state legislatures. They have been given impetus by the widespread need for additional revenue.

Chain stores are already heavily taxed and are ready to bear their full share of any additional taxes which are necessary, but they have the right to demand that such taxes be equitably levied. It is unfair and un-American to place upon them a heavy burden which is not borne by the individual store owners who compete with them. It is wrong to single out for taxation and to cripple under that guise a legitimate form of enterprise.

The chain store industry has been performing a vital economic and social service to the nation by reducing the cost of distribution and raising the standard of living of the large masses of our population. Because the profit rate of chain stores is very small, any discriminatory taxes against them could not be absorbed and would result in higher prices to the consumer. Such taxes, therefore, are indirectly taxes on the small wage earner's food, clothing and other necessities of life. They also react against farmers and producers by reducing the purchasing power of millions of consumers.

Because so many of our state legislatures are now in session and likely in the near future to consider and vote upon bills proposing chain store taxes, you are urged, in your own interest and in the interest of the people of your state, to write at once to your representatives in your state legislature expressing your opposition to such unfair and unsound legislation.

THE GRAND UNION COMPANY.

NION COMPANY

JBSIDIARIES

BALANCE SHEET

er 29, 1934

LIABILITIES

Current liabilities:			
Bankers' acceptances secured by coffee imports			$ 91,321.05
Accounts payable and accrued expenses			1,051,925.61
Total current liabilities			1,143,246.66
Employees' fidelity deposits			64,019.51
Mortgages on real estate			13,000.00
Reserves:			
For unredeemed premium tickets			45,466.68
For rentals and expenses of closed stores and warehouses			42,565.22
Minority stockholders of subsidiary company			6,348.05
			1,314,646.12

Notes:

The company is contingently liable for approximately $60,000 of unused balances of letters of credit.

The company is undertaking an appeal from judgment obtained in accident suit in the amount of $36,893.35. If the appeal is denied claim will be made against an insurance company.

CAPITAL

Capital stock:			
Convertible cumulative preference stock without par value, entitled to $60 per share on redemption or in liquidation:			
Authorized 500,000 shares			
Issued and outstanding 159,550 shares of $3 dividend series		$3,988,750.00	
Common stock, par value $1 per share:			
Authorized 750,000 shares (of which 239,325 are reserved for conversion privilege attaching to preferred stock)			
Issued and outstanding 286,367 shares		286,367.00	

Note: 23,000 shares of common stock are under option at $2.50 per share (1,000 shares to May 1, 1935, 4,000 shares to May 31, 1935 and 4,500 shares for each of the four years ending May 31, 1936 to 1939) out of a total of 46,450 shares reserved for issue at not less than $2.50 per share.

Capital surplus, including $5,720 arising in 1934 through issue of common stock at prices in excess of par value and sales of treasury stock at prices in excess of costs	$663,367.14		
Earned surplus, as annexed	333,072.03	996,439.17	5,271,556.17
			$6,586,202.29

CONSOLIDATED INCOME ACCOUNT

for the year ended December 29, 1934

Sales - - - - - - - - - - - - - -		$28,561,558.01
Cost of sales - - - - - - - - - - - - -		21,134,704.25
Gross profit, before depreciation - - - - - -		7,426,853.76
Selling and general expenses, and depreciation:		
Store expenses, salaries of clerks, managers and superintendents, delivery, advertising and other expenses - - - - - - -	$6,072,161.34	
General and administrative expenses including provision for federal income and capital stock taxes - - - - - - -	757,846.23	
Depreciation of distribution equipment, etc -	304,975.70	7,134,983.27
Profit from operations - - - - - - -		291,870.49
Miscellaneous income, interest, etc., less miscellaneous deductions of $34,114.34 - - - - - - - - - - -		22,375.58
Net income from current operations - - - - -		$ 314,246.07
Deduct, Purchases and expenses applicable to operations of prior periods - - - - - - - - - - - - -		29,625.06
Net income carried to earned surplus - - -		$ 284,621.01

Note: For the reasons stated in the annexed President's report an additional reserve of $222,532.07 was set up in 1934 out of earned surplus to further provide for possible losses on balances of route accounts receivable and premiums advanced to customers arising from operations prior to 1934.

CONSOLIDATED EARNED SURPLUS ACCOUNT

for the year ended December 29, 1934

Balance, December 31, 1933 - - - - - - - - - -	$749,633.09
Net income for 1934 as annexed - - - - - - - -	284,621.01
	1,034,254.10
Dividends paid on preference stock - - - - - - - -	478,650.00
	555,604.10
Deduct, Allowances during 1934 for losses on route accounts receivable and premiums advanced to customers in addition to amount considered applicable to 1934 and charged to operations of that year - - - - - - - - - - - - -	222,532.07
	$ 333,072.03

AUDITORS' CERTIFICATE

The Grand Union Company,
New York, N. Y.

We have made examinations of the balance sheets of The Grand Union Company and of its Subsidiaries as at December 29, 1934 and of the related statements of income and surplus for the year 1934. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made general reviews of the accounting methods and of the operating and income accounts for the year, but we did not make detailed audits of the transactions.

In our opinion, based upon such examinations, the foregoing consolidated balance sheet and related statements of consolidated income and surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, the consolidated position of the companies at December 29, 1934 and the consolidated results of their operations for the year.

Lybrand, Ross Bros. & Montgomery

New York, March 7, 1935.